



Ad Val Advisor

*The Newsletter
for Wyoming
Property Tax
Appraisers*

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Ad Valorem Tax Division Newsletter

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From the Director

I hope every Assessor or perhaps some of your staff members will take the opportunity to come to Cheyenne and spend a few hours "kicking the tires" on the three vendor CAMA systems the Ad Valorem Division has set up in our offices.

If you will recall during CAMA Episode I, each vendor had the opportunity to give a one-day dog and pony show of their product to the Assessors and staff. In the new (and hopefully improved) CAMA REVISITED, Assessors and staff have the opportunity for a much more "hands-on" approach. You can poke and prod and ask questions with a direct line to the vendor. Then hopefully you will contact one of the Selection Committee members and tell them your likes and dislikes.

The Committee meets in Cheyenne on May 12th to make the final selection. You still have time to call the Ad Valorem staff and schedule some time to review the software.

Edmund Schmidt
Director
Department of Revenue

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Why Tax Property - and why have Assessors?

As I write this, most Wyoming Assessors are in the midst of appeal period. When I was an Assessor, a taxpayer would occasionally ask that very fundamental question, "Why have a property tax and why do we need Assessors?" These are questions many of us don't think about often.

Well, first, we all know that there have been taxes since near the beginning of civilization, and the property tax was one of the first taxes to be imposed. Evidence of property tax assessment appears in the stone tablets of the ancient Babylonians. There is also strong historical evidence that taxes have been unpopular for just as long. Robin Hood was the protagonist against a ruthless tax collector, the Sheriff of Nottingham. Part of the impetus for the American Revolution that led to the formation of our own country was the uprising against "taxation without representation." Of course, the idea of

a tax is the systematic collection of funds through organized (yes, some would say coercive) means to pay for services provided to the public.

Four endless issues, often hotly debated, surround taxation: how much tax money should be collected, for what should tax monies be spent, by what means should the tax be collected, and how should that tax burden be shared. Of those four issues, the only one over which the Assessor has any real control is the last: how the tax burden is shared. Even in that realm, the Assessor has only partial control—what he or she does is extensively governed by statute and regulation.

The other three rest squarely upon policy decisions made by other officials. In this country, in most all cases, those officials are either duly elected public officials, or officials appointed by those duly elected. From the tax laws passed by Congress at the federal level, to a mill levy imposed by a local weed control district, the imposition of taxes in this country is very much a democratic process.

Back to the property tax. A common joke is that there are three ways to tax someone: coming, going, or standing still. There is really some truth to that. "Coming" can be interpreted as the income tax, "going" as the sales/use tax, and "standing still" as the property tax. All three taxes in some way tax wealth. The income tax can be said to tax wealth as it is accumulated, the sales tax taxes wealth as it is spent to acquire property or (in some locales) services,

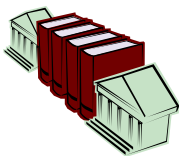


and the property tax taxes wealth as it is owned. Of the three taxes, two—in this country at least—are relatively new. Sales and income taxes are largely 20th century products. The accounting and bookkeeping practices of individuals, businesses, and government made the imposition and collection of those taxes feasible.

Property taxes in the United States, however, have a long and storied history,

dating to the beginning of the country. The same reasons that the property tax was initially attractive to the taxing entity remain so today: real and personal property are generally definable, often visible, and—very often—tangible. The property itself can often be legally distrained, seized, or sold if taxes are not paid. Also, for the taxing entities, a property tax is generally a relatively stable source of revenue that fluctuates less than the other types of tax revenue. Using property taxes makes sense for many tax-reliant entities (schools, towns, special districts, for example) because they tend to have financial obligations that are also relatively stable. Some examples are debt service, services required to be provided regardless of economic conditions (police, fire, water, etc.), and long-term projects (large-scale infrastructure construction, etc.).

Unfortunately, the same reasons that the property tax is so popular among taxing entities are the same reasons that it is so unpopular among many taxpayers. The foremost objection to the property tax by taxpayers is usually that the property tax is based on the value of property the taxpayer owns, not upon his or her ability to pay. (I wonder if it would help taxpayers understand if we changed our name to the "At Value" Division . . . probably not.) A very often-mentioned second taxpayer objection is that the property tax, unlike most sales or income taxes, is not a "pay-as-you-go" proposition. Most places collect property taxes in



one or two installments—ouch! Can you imagine the taxpayer revolution in this country if all taxpayers had to pay their entire federal income tax liability in one or two installments? Yeee-haaaa!

One final thought about property taxes. The property tax remains the tax that is generally administered at a level closest to the taxpayer. While the legislation and regulation of the property tax system generally resides at the state level (thus the existence of the Ad Valorem Division), the day-to-day administration of property taxes resides very much at the local level. Local taxing entities, some governed by unpaid elected boards that meet around someone's kitchen table, determine budgets and how much tax money they need to collect. Local county Treasurers, elected by the county voters, collect those taxes. And, of course, the county Assessor, also duly elected by the county voters, determines--through the valuation process--how that tax burden is to be shared among the property owners within the county.

Because the property tax is the tax administered closest to the people, it's not surprising that the county Assessor becomes the lightning rod for taxpayer frustrations with all kinds of tax problems. That can make the Assessor's days during appeal period frustrating, and sometimes discouraging. However, I, as a former Assessor, still believe that property assessment, done well, is a very necessary and noble profession. A statement a dentist friend of mine made about his profession also fits property tax assessment pretty well; "No one really likes to see us; they may not necessarily like what we have to do; but people would be much worse off if we weren't here doing what we do."

'Nuff said.

Wade W. Hall
Administrator
Ad Valorem Tax Division

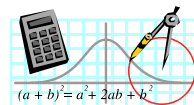
Ag Land Points of Interest

The following is a list of tidbits and facts regarding Wyoming's methodology for valuing agricultural land.

1. The State constitution states "...agricultural and grazing lands which shall be valued according to the capability of the land to produce agricultural products under normal conditions.

2. Per Department Rules Chapter 11, the Division's responsibilities include the determination of standards and productivity sources used in the assessment of agricultural land.

3. The valuation formula was developed by the Ag Research Committee composed of the Department, a representative from the County Assessor's Association, the Agricultural Community and the University of Wyoming.



4. The Ag Community created and approved the original cropland productivity levels. Rangeland productivity originates, in part, from the USDA Tech Range Sheets.

5. The Ag Valuation Study is formula driven based on the income approach to value.

6. The Ag Research Committee consulted with the University of Wyoming's Department of Agriculture in developing the expense portion of the net income formula for irrigated cropland and rangeland. The Wheat Growers Association developed the expense portion of the net income formula for dry cropland.

7. In 2003, Department of Revenue contacted the University of Wyoming Department of Agriculture and Applied Economics in regards to expenses used in the formula. There has been no substantial change in recent years.

8. The primary and historical source for commodity pricing is the Wyoming Ag Statistical Service.

9. To value agricultural land, target commodities were selected by the Ag Research Committee. These commodities are All Hay, All Wheat, and Grazing Fees per Animal Unit Month.



According to the Ag Research Committee, these commodities were chosen because they represented the most common crops found across Wyoming.

10. Each of the commodities is based on a Market Year for production: 1.) All Hay - June 1 of previous year to May 31 current year; 2.) All Wheat - July 1 of previous year to June 30 current year; 3.) Grazing Fee - Jan. 1 of previous year to Dec 31 previous year.

11. The current year commodity prices reported in the Wyoming Agricultural Statistics annual report are frequently preliminary. The Department of Revenue receives an update to the printed annual report in September. All previous year prices in the report have been finalized.

12. Commodity prices are converted into a 5 year weighted average. This is done to smooth spikes in the pricing that normally occur year to year.

13. The capitalization rate used in valuation of the agricultural lands is the 5-year weighted average from the annual Farm Credit Services of Omaha long-term loan portfolio interest rates. The lower quoted rates are those charged to member banks. This lower rate was agreed upon by the Ag Committee to raise the final value.

14. At the time of calculation, there are only 9 months of loan rates available for the most current year. Subsequently, the valuation procedure uses the 9-month average as the 5th year. In the following year, a full 12-month of loan rates is used to calculate that year's average loan rate.

15. The current Ag Research Committee meets annually for comment on the Ag Valuation Study. This occurs in late fall.

16. The current Ag Research Committee is composed of representatives from the Department, County Assessors' Association, Wyoming Agricultural Statistics Service, Wyoming Department of Agriculture, Wheat Growers Association, Stock Growers Association, University of Wyoming Department of Agriculture and Applied Economics, Wyoming Board of Agriculture, Wyoming State Grange, Farm Bureau Federation, Rocky Mt. Farmers Union, and Wool Growers Association.

17. The Department used data from the NRCS and the National Weather Service in compiling cropland and rangeland LRAs.

18. The NRCS soil surveys are the basis for the Land Capability Classification System. We record Land Capability Classification for all soil symbols for irrigated and dry croplands. Just because a soil symbol has Land Capability Classification in each Ag category does not necessarily mean that there is a land use in that category. It is designed in the manner to accommodate land use changes at the county level.

19. The Division uses the USDA's 1988 Technical Guide to Range Sites and Range Condition in determining average rangeland productivity using Animal Unit Months (AUM) as the measurement. NRCS State Soil Scientist indicated that for the Department's purposes, the 1988 Technical Guide to Range Sites and Range Condition is appropriate.

20. The roughly 40 range sites developed by the NRCS were consolidated into five range groupings for mass appraisal purposes.

21. There are five dry cropland groups as categorized by precipitation patterns, length of growing season and general soil type/landscape position. These have been combined into three general zones.

22. Precipitation and topography are the primary considerations given to Rangeland LRA.

23. Currently, the Department uses precipitation data from 1929 to 1960. The Department has studied the precipitation data from 1961 to 1990 with future plans of implementing this data. With implementing SSURGO (digital soil surveys), the rangeland LRA is part of the AUM formula.

24. NRCS soil surveys are the preferred productivity data source for the valuation of agricultural land in Wyoming.

25. There are two versions of NRCS soil surveys: published soil survey (hardcopy) and Soil Survey Geographic (SSURGO), a digital survey. However, all soil surveys are republished with updated information from time to time.

26. If no NRCS soil surveys are available, the Assessor must have the Department's prior approval before they use any outside source of information.

27. Per the NRCS, there are no Class I soils for irrigated croplands in Wyoming.

28. Per the NRCS, there are no Class I or II soils for dry croplands in Wyoming.

29. Waste land is part of, and valued as, rangeland. Water is classified as rangeland waste and valued as such.

30. The Rangeland productivity table has a gap between soil factors R-1 and R-2. There is a natural break per the 1988 Technical Guide to Range Sites and Range Condition sheets.

31. Rangeland LRA 3 and 4 had the same productivity levels. When calculating the capitalized income, these LRAs always have the same set of values.

32. Not all counties have soil surveys.

33. Generally, soil surveys are conducted on private land.

34. Support and development of soil surveys have been quite eventful over the years. As of 1996, the NRCS is reluctant to support older

published soil surveys. The NRCS has concerns about the Department use of soil surveys for tax purposes. However, nationwide, soil surveys are regularly used for taxation of agricultural land.

35. The Department provides published soil surveys, reviews alternative source surveys, annually creates the Ag valuation study and offers training.

36. The Assessor responsibilities include identifying land ownership, agricultural land use, tabulating soil groups and setting values within the range of values provided by the Department.

37. Per the 1997 Census of Agriculture released by USDA, only twelve (12%) percent of all farms in Wyoming are tenant farms.

David Chapman
Local Assessed Manager
Ad Valorem Tax Division

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Employee Spotlight

Next up in the Employee Spotlight is Jack Rehm from the Local Assessed Section. Some of you know Jack quite well, but here are some interesting facts about his life that he was happy to share with all of us:



Jack came on board with the Ad Valorem Tax Division in November, 1997. He was hired as an Appraiser and was promoted to Principal Appraiser in 2000. When asked what he likes most about his current job, Jack said that working appraisals and teaching appraisal are the most satisfying tasks among the multiple duties he has.

Jack graduated from Kelly Walsh High School in Casper, WY, in 1985. He lettered nine times in varsity

football, basketball, and track – and held the state high jump record for an impressive 12 years (!). He then moved to Laramie to attend UW where he majored in Premed, and received a track team scholarship.

So, where “on earth” did Jack come from? He was born in Honolulu, Hawaii, where his family lived for two years before moving all the way back across the Pacific and continental US to Virginia. Seven years later, and having the fourth grade behind him, Jack and his family made the big move to Casper, WY.

Jack has been married to his wife, Sharon, for sixteen years. Their three magnificent children are Brady (15), Britney (13), and Blake (10). Jack is convinced that his loss of hair is caused by the trying experience of having two kids in junior high school...

Besides spending time with his family, Jack’s hobbies include playing city league softball, coaching soccer, doing carpentry work, and watching Mel Brooks movies.

Favorite Movies: A Bridge Too Far
Big Jake

Favorite Food: Chicken Parmesan

Geir Solvang
Principal Appraiser
Ad Valorem Tax Division

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Quote of the Month

“The world is moving so fast these days that the one who says it can't be done is generally interrupted by someone doing it.”

Harry Emerson Fosdick

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New Web Site!

We want to let everyone know that the NEW Department of Revenue web site is now active. The team responsible for this put together a very attractive and usable site.

Please take a few minutes to review the web site at <http://revenue.state.wy.us/> and see the changes that have been made. We believe that as you become familiar with it, you will see it as an improvement.

Barb Royce
Executive Assistant
Department of Revenue

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Upcoming Ad Valorem Sponsored Education

7/19/04 – 7/23/04

IAAO Course 300
Fundamentals of Mass Appraisal,
Lander, WY

8/16/04 – 8/20/04

IAAO Course 500
Assessment of Personal Property,
Casper, WY

9/21/04 – 9/22/04

IAAO Course 354
Multiple Regression Analysis for
Real Property Valuation,
Casper, WY

To register for classes, please
contact
Jack Rehm at (307) 777-5313, or
email: jrehm@state.wy.us

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